

UNITED STATES BANKRUPTCY COURT

Northern District of California

VOLUNTARY PETITION

Name of Debtor (if individual, enter Last, First, Middle): Palm Drive Health Care District		Name of Joint Debtor (Spouse) (Last, First, Middle):											
All Other Names used by the Debtor in the last 8 years (include married, maiden, and trade names): Palm Drive Hospital		All Other Names used by the Joint Debtor in the last 8 years (include married, maiden, and trade names):											
Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN)/Complete EIN (if more than one, state all): EIN: 68-0456502		Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN)/Complete EIN (if more than one, state all):											
Street Address of Debtor (No. and Street, City, and State): 501 Petaluma Avenue Sebastopol, CA		Street Address of Joint Debtor (No. and Street, City, and State):											
		ZIP CODE 95472											
County of Residence or of the Principal Place of Business: Sonoma		County of Residence or of the Principal Place of Business:											
Mailing Address of Debtor (if different from street address):		Mailing Address of Joint Debtor (if different from street address):											
		ZIP CODE											
Location of Principal Assets of Business Debtor (if different from street address above):													
		ZIP CODE											
Type of Debtor (Form of Organization) (Check one box.)		Nature of Business (Check one box.)											
<input type="checkbox"/> Individual (includes Joint Debtors) <i>See Exhibit D on page 2 of this form.</i> <input type="checkbox"/> Corporation (includes LLC and LLP) <input type="checkbox"/> Partnership <input checked="" type="checkbox"/> Other (If debtor is not one of the above entities, check this box and state type of entity below.) municipality: healthcare district		<input checked="" type="checkbox"/> Health Care Business <input type="checkbox"/> Single Asset Real Estate as defined in 11 U.S.C. § 101(51B) <input type="checkbox"/> Railroad <input type="checkbox"/> Stockbroker <input type="checkbox"/> Commodity Broker <input type="checkbox"/> Clearing Bank <input type="checkbox"/> Other											
Chapter 15 Debtors Country of debtor's center of main interests: Each country in which a foreign proceeding by, regarding, or against debtor is pending:		Tax-Exempt Entity (Check box, if applicable.) <input type="checkbox"/> Debtor is a tax-exempt organization under title 26 of the United States Code (the Internal Revenue Code).											
		Nature of Debts (Check one box.) <input type="checkbox"/> Debts are primarily consumer debts, defined in 11 U.S.C. § 101(8) as "incurred by an individual primarily for a personal, family, or household purpose." <input checked="" type="checkbox"/> Debts are primarily business debts.											
Filing Fee (Check one box.) <input checked="" type="checkbox"/> Full Filing Fee attached. <input type="checkbox"/> Filing Fee to be paid in installments (applicable to individuals only). Must attach signed application for the court's consideration certifying that the debtor is unable to pay fee except in installments. Rule 1006(b). See Official Form 3A. <input type="checkbox"/> Filing Fee waiver requested (applicable to chapter 7 individuals only). Must attach signed application for the court's consideration. See Official Form 3B.		Chapter 11 Debtors Check one box: <input type="checkbox"/> Debtor is a small business debtor as defined in 11 U.S.C. § 101(51D). <input type="checkbox"/> Debtor is not a small business debtor as defined in 11 U.S.C. § 101(51D). Check if: <input type="checkbox"/> Debtor's aggregate noncontingent liquidated debts (excluding debts owed to insiders or affiliates) are less than \$2,490,925 (<i>amount subject to adjustment on 4/01/16 and every three years thereafter</i>). Check all applicable boxes: <input type="checkbox"/> A plan is being filed with this petition. <input type="checkbox"/> Acceptances of the plan were solicited prepetition from one or more classes of creditors, in accordance with 11 U.S.C. § 1126(b).											
Statistical/Administrative Information													
<input checked="" type="checkbox"/> Debtor estimates that funds will be available for distribution to unsecured creditors. <input type="checkbox"/> Debtor estimates that, after any exempt property is excluded and administrative expenses paid, there will be no funds available for distribution to unsecured creditors.													
Estimated Number of Creditors <table border="1"> <tr> <td><input type="checkbox"/> 1-49</td> <td><input type="checkbox"/> 50-99</td> <td><input type="checkbox"/> 100-199</td> <td><input type="checkbox"/> 200-999</td> <td><input checked="" type="checkbox"/> 1,000-5,000</td> <td><input type="checkbox"/> 5,001-10,000</td> <td><input type="checkbox"/> 10,001-25,000</td> <td><input type="checkbox"/> 25,001-50,000</td> <td><input type="checkbox"/> 50,001-100,000</td> <td><input type="checkbox"/> Over 100,000</td> </tr> </table>				<input type="checkbox"/> 1-49	<input type="checkbox"/> 50-99	<input type="checkbox"/> 100-199	<input type="checkbox"/> 200-999	<input checked="" type="checkbox"/> 1,000-5,000	<input type="checkbox"/> 5,001-10,000	<input type="checkbox"/> 10,001-25,000	<input type="checkbox"/> 25,001-50,000	<input type="checkbox"/> 50,001-100,000	<input type="checkbox"/> Over 100,000
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Estimated Assets <table border="1"> <tr> <td><input type="checkbox"/> \$0 to \$50,000</td> <td><input type="checkbox"/> \$50,001 to \$100,000</td> <td><input type="checkbox"/> \$100,001 to \$500,000</td> <td><input type="checkbox"/> \$500,001 to \$1 million</td> <td><input type="checkbox"/> \$1,000,001 to \$10 million</td> <td><input checked="" type="checkbox"/> \$10,000,001 to \$50 million</td> <td><input type="checkbox"/> \$50,000,001 to \$100 million</td> <td><input type="checkbox"/> \$100,000,001 to \$500 million</td> <td><input type="checkbox"/> \$500,000,001 to \$1 billion</td> <td><input type="checkbox"/> More than \$1 billion</td> </tr> </table>				<input type="checkbox"/> \$0 to \$50,000	<input type="checkbox"/> \$50,001 to \$100,000	<input type="checkbox"/> \$100,001 to \$500,000	<input type="checkbox"/> \$500,001 to \$1 million	<input type="checkbox"/> \$1,000,001 to \$10 million	<input checked="" type="checkbox"/> \$10,000,001 to \$50 million	<input type="checkbox"/> \$50,000,001 to \$100 million	<input type="checkbox"/> \$100,000,001 to \$500 million	<input type="checkbox"/> \$500,000,001 to \$1 billion	<input type="checkbox"/> More than \$1 billion
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Estimated Liabilities <table border="1"> <tr> <td><input type="checkbox"/> \$0 to \$50,000</td> <td><input type="checkbox"/> \$50,001 to \$100,000</td> <td><input type="checkbox"/> \$100,001 to \$500,000</td> <td><input type="checkbox"/> \$500,001 to \$1 million</td> <td><input type="checkbox"/> \$1,000,001 to \$10 million</td> <td><input checked="" type="checkbox"/> \$10,000,001 to \$50 million</td> <td><input type="checkbox"/> \$50,000,001 to \$100 million</td> <td><input type="checkbox"/> \$100,000,001 to \$500 million</td> <td><input type="checkbox"/> \$500,000,001 to \$1 billion</td> <td><input type="checkbox"/> More than \$1 billion</td> </tr> </table>				<input type="checkbox"/> \$0 to \$50,000	<input type="checkbox"/> \$50,001 to \$100,000	<input type="checkbox"/> \$100,001 to \$500,000	<input type="checkbox"/> \$500,001 to \$1 million	<input type="checkbox"/> \$1,000,001 to \$10 million	<input checked="" type="checkbox"/> \$10,000,001 to \$50 million	<input type="checkbox"/> \$50,000,001 to \$100 million	<input type="checkbox"/> \$100,000,001 to \$500 million	<input type="checkbox"/> \$500,000,001 to \$1 billion	<input type="checkbox"/> More than \$1 billion
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THIS SPACE IS FOR COURT USE ONLY													

Voluntary Petition (This page must be completed and filed in every case.)		Name of Debtor(s): Palm Drive Health Care District	
All Prior Bankruptcy Cases Filed Within Last 8 Years (If more than two, attach additional sheet.)			
Location Where Filed:	Northern District of California	Case Number:	Date Filed:
Location Where Filed:		Case Number:	Date Filed:
Pending Bankruptcy Case Filed by any Spouse, Partner, or Affiliate of this Debtor (If more than one, attach additional sheet.)			
Name of Debtor:		Case Number:	Date Filed:
District:		Relationship:	Judge:
Exhibit A (To be completed if debtor is required to file periodic reports (e.g., forms 10K and 10Q) with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and is requesting relief under chapter 11.)		Exhibit B (To be completed if debtor is an individual whose debts are primarily consumer debts.)	
<input type="checkbox"/> Exhibit A is attached and made a part of this petition.		I, the attorney for the petitioner named in the foregoing petition, declare that I have informed the petitioner that [he or she] may proceed under chapter 7, 11, 12, or 13 of title 11, United States Code, and have explained the relief available under each such chapter. I further certify that I have delivered to the debtor the notice required by 11 U.S.C. § 342(b). X _____ Signature of Attorney for Debtor(s) (Date)	
Exhibit C Does the debtor own or have possession of any property that poses or is alleged to pose a threat of imminent and identifiable harm to public health or safety?			
<input type="checkbox"/> Yes, and Exhibit C is attached and made a part of this petition. <input checked="" type="checkbox"/> No.			
Exhibit D (To be completed by every individual debtor. If a joint petition is filed, each spouse must complete and attach a separate Exhibit D.)			
<input type="checkbox"/> Exhibit D, completed and signed by the debtor, is attached and made a part of this petition.			
If this is a joint petition: <input type="checkbox"/> Exhibit D, also completed and signed by the joint debtor, is attached and made a part of this petition.			
Information Regarding the Debtor - Venue (Check any applicable box.)			
<input checked="" type="checkbox"/> Debtor has been domiciled or has had a residence, principal place of business, or principal assets in this District for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other District. <input type="checkbox"/> There is a bankruptcy case concerning debtor's affiliate, general partner, or partnership pending in this District. <input type="checkbox"/> Debtor is a debtor in a foreign proceeding and has its principal place of business or principal assets in the United States in this District, or has no principal place of business or assets in the United States but is a defendant in an action or proceeding [in a federal or state court] in this District, or the interests of the parties will be served in regard to the relief sought in this District.			
Certification by a Debtor Who Resides as a Tenant of Residential Property (Check all applicable boxes.)			
<input type="checkbox"/> Landlord has a judgment against the debtor for possession of debtor's residence. (If box checked, complete the following.)			
(Name of landlord that obtained judgment) (Address of landlord)			
<input type="checkbox"/> Debtor claims that under applicable nonbankruptcy law, there are circumstances under which the debtor would be permitted to cure the entire monetary default that gave rise to the judgment for possession, after the judgment for possession was entered, and <input type="checkbox"/> Debtor has included with this petition the deposit with the court of any rent that would become due during the 30-day period after the filing of the petition. <input type="checkbox"/> Debtor certifies that he/she has served the Landlord with this certification. (11 U.S.C. § 362(l)).			

Voluntary Petition (This page must be completed and filed in every case.)		Name of Debtor(s): Palm Drive Health Care District
Signatures		
Signature(s) of Debtor(s) (Individual/Joint)		Signature of a Foreign Representative
<p>I declare under penalty of perjury that the information provided in this petition is true and correct.</p> <p>[If petitioner is an individual whose debts are primarily consumer debts and has chosen to file under chapter 7] I am aware that I may proceed under chapter 7, 11, 12 or 13 of title 11, United States Code, understand the relief available under each such chapter, and choose to proceed under chapter 7.</p> <p>[If no attorney represents me and no bankruptcy petition preparer signs the petition] I have obtained and read the notice required by 11 U.S.C. § 342(b).</p> <p>I request relief in accordance with the chapter of title 11, United States Code, specified in this petition.</p>		<p>I declare under penalty of perjury that the information provided in this petition is true and correct, that I am the foreign representative of a debtor in a foreign proceeding, and that I am authorized to file this petition.</p> <p>(Check only one box.)</p>
<p>X _____ Signature of Debtor</p> <p>X _____ Signature of Joint Debtor</p> <p>Telephone Number (if not represented by attorney) _____</p> <p>Date _____</p>		<p><input type="checkbox"/> I request relief in accordance with chapter 15 of title 11, United States Code. Certified copies of the documents required by 11 U.S.C. § 1515 are attached.</p> <p><input type="checkbox"/> Pursuant to 11 U.S.C. § 1511, I request relief in accordance with the chapter of title 11 specified in this petition. A certified copy of the order granting recognition of the foreign main proceeding is attached.</p> <p>X _____ (Signature of Foreign Representative)</p> <p>_____ (Printed Name of Foreign Representative)</p> <p>_____ Date</p>
<p>Signature of Attorney*</p> <p>X /s/ Michael A. Sweet Signature of Attorney for Debtor(s) Michael A. Sweet</p> <p>Printed Name of Attorney for Debtor(s) Fox Rothschild LLP</p> <p>Firm Name 235 Pine Street, Suite 1500 San Francisco, CA 94104-2734</p> <p>Address 415-364-5540</p> <p>Telephone Number April 7, 2014</p> <p>Date</p>		<p>Signature of Non-Attorney Bankruptcy Petition Preparer</p> <p>I declare under penalty of perjury that: (1) I am a bankruptcy petition preparer as defined in 11 U.S.C. § 110; (2) I prepared this document for compensation and have provided the debtor with a copy of this document and the notices and information required under 11 U.S.C. §§ 110(b), 110(h), and 342(b); and, (3) if rules or guidelines have been promulgated pursuant to 11 U.S.C. § 110(h) setting a maximum fee for services chargeable by bankruptcy petition preparers, I have given the debtor notice of the maximum amount before preparing any document for filing for a debtor or accepting any fee from the debtor, as required in that section. Official Form 19 is attached.</p> <p>Printed Name and title, if any, of Bankruptcy Petition Preparer</p> <p>Social-Security number (If the bankruptcy petition preparer is not an individual, state the Social-Security number of the officer, principal, responsible person or partner of the bankruptcy petition preparer.) (Required by 11 U.S.C. § 110.)</p> <p>Address</p> <p>X _____ Signature</p> <p>Date</p> <p>Signature of bankruptcy petition preparer or officer, principal, responsible person, or partner whose Social-Security number is provided above.</p> <p>Names and Social-Security numbers of all other individuals who prepared or assisted in preparing this document unless the bankruptcy petition preparer is not an individual.</p> <p>If more than one person prepared this document, attach additional sheets conforming to the appropriate official form for each person.</p> <p><i>A bankruptcy petition preparer's failure to comply with the provisions of title 11 and the Federal Rules of Bankruptcy Procedure may result in fines or imprisonment or both. 11 U.S.C. § 110; 18 U.S.C. § 156.</i></p>

EXHIBIT 1

RESOLUTION NO. 14-04

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE PALM DRIVE HEALTH CARE DISTRICT DECLARING A FISCAL EMERGENCY
AND AUTHORIZING A CHAPTER 9 BANKRUPTCY FILING**

**THE BOARD OF DIRECTORS OF PALM DRIVE HEALTH CARE DISTRICT
RESOLVES AS FOLLOWS:**

A. Recitals

- (i) The Palm Drive Health Care District (the "District") has responsibly and proactively managed its limited finances in order to operate Palm Drive Hospital ("PDH") despite a sustained reduction in patient volume and revenue. Throughout this time, PDH has provided excellent, high quality patient care without compromise to patient safety.
- (ii) Despite the efforts over the past several years of PDH management and Board to take significant steps to reduce expenses, uncontrollable inflationary increases combined with volume and reimbursement declines has created an operating gap and cash flow deficit that threatens the organization's fiscal viability and, if allowed to continue, could threaten patient care and patient safety.
- (iii) In 2010 the District borrowed \$11 million to be used to cover debts dealt with by the plan of adjustment of debts approved in the District's Chapter 9 bankruptcy case filed in 2007 and operational deficits from 2010 forward. However the funds from that source available for operating deficits have since been depleted.
- (iv) In consultation with a nationally recognized healthcare consulting firm, the management and Board explored options and models for changes in services and operations that would provide for positive financial performance while continuing to serve the inpatient and emergency care needs of the District's residents. This exploration concluded that there is no combination of acute inpatient services that could reasonably be expected to achieve and sustain financial viability.
- (v) Faced with a position of insolvency and projected continued declines in volume and revenue, and the potential impact on patient care and patient safety if the current array of services are permitted to continue, and in light of a report that found no reasonable scenario for inpatient acute care services under which these conditions would change, management recommended the termination of inpatient acute care services and the closure of the Emergency Department.

- (vi) The District has now determined that at the current rate of operating losses, the District will be unable to meet its cash obligations not later than May 30, 2014. In the District's financial circumstances, Government Code Sections 53760 through 53760.7, and in particular Government Code Section 53760.5, authorize a local public entity such as the District to file a petition and exercise powers pursuant to applicable federal bankruptcy law, if (a) the local public entity places an item on the agenda of a noticed public hearing on the fiscal condition of the entity to take public comment, and (b) thereafter, the local public entity declares a fiscal emergency and adopts a resolution by majority vote of the governing board at a noticed public hearing that includes findings that the financial state of the local public entity jeopardizes the health, safety, or well-being of the residents of the District's service area absent the protections of Chapter 9 of the Bankruptcy Code, title 11 of the United States Code (commencing with Section 901) ("Chapter 9"), such resolution to include findings that the local public entity is or will be unable to pay its obligations within the next 60 days.
- (vii) On April 1, 2014, the District held a noticed public hearing at which the Board of Directors placed on the agenda the fiscal condition of the District, to take public comment.
- (viii) After considering staff analysis of the District's financial condition, the report of the healthcare consulting firm, management's Recommendation for Substantial Termination of Services, and public comment received at the hearing held on April 1, 2014, the Board of Directors has determined that it is in the best interests of the District to delegate to the Chief Executive Officer the authority to file a petition for protection under Chapter 9 of the Bankruptcy Code.

B. Resolution

NOW, THEREFORE, be it known that the Board of Directors of the Palm Drive Health Care District resolves as follows:

Section 1. The District's fiscal condition creates a substantial threat to the health, safety and welfare of the residents of the District's service area.

Section 2. The Board of Directors finds and declares the existence of a fiscal emergency of grave character and serious moment relating to the continued operation of the District and its delivery of essential healthcare services.

Section 3. The Board of Directors finds that in the District's fiscal emergency the District is or will be unable to pay its obligations within the next 60 days.

Section 4. The Board of Directors finds that the financial state of the District jeopardizes the health, safety, or well-being of the residents of the District's service area absent the protections of Chapter 9 of the Bankruptcy Code.

Section 5. The Board of Directors finds that the District is insolvent on a cash flow basis in the current fiscal year, and will be insolvent in the following fiscal year as well.

Section 6. The Board of Directors hereby resolves that a petition under Chapter 9 of the Bankruptcy Code shall be filed by the District at such time as the Chief Executive Officer determines.

Section 7. The Board of Directors hereby authorizes and directs the Chief Executive Officer, on behalf of and in the name of the District, to execute and file a Chapter 9 petition with the U.S. Bankruptcy Court for the Northern District of California.

Section 8. The Chief Executive Officer, and all other appropriate officials and employees of the District, are hereby authorized to execute and file all petitions, schedules, lists, and other papers, and to take any and all actions that they shall deem necessary and appropriate in connection with such Chapter 9 case, and with a view to the successful prosecution and completion of such case, including without limitation the proposal and confirmation of a plan of adjustment for the debts of the District.

Section 9. The Board of Directors directs District management to investigate and recommend any and all further actions necessary to mitigate the impacts of the fiscal emergency.

Section 10. This Resolution shall take effect immediately upon its adoption.

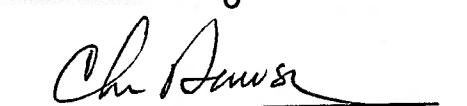
PASSED AND ADOPTED this 1st day of April, 2014, by the following votes:

AYES:

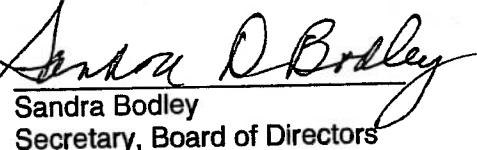
NOES: 0

ABSENT: 0

ABSTAIN: 0


Chris Dawson

President, Board of Directors


Sandra Bodley
Secretary, Board of Directors